



United States Department of the Interior

M/001/045
*S/001/058

BUREAU OF LAND MANAGEMENT

Cedar City Field Office

176 East DL Sargent Drive
Cedar City, UT 84720
Telephone (435) 586-2401
FAX (435) 865-3058

RECEIVED

MAR 21 2003

DIV. OF OIL, GAS & MINING

In Reply Refer To:

UT-042

3809: UTU-72232

UTU-79716

March 18, 2003

Mr. D Wayne Hedburg
Permit Supervisor, Regulatory Program
Division of Oil, Gas, and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, UT 84114-5801

Dear Mr. Hedburg:

This letter is in regard to Gemstone Mining Inc.'s (GMI) Red Emerald Mine located in the southern Wah Wah Mtns., Beaver County, Utah. The mine site is located entirely on BLM-managed lands administered through the Cedar City Field Office. The mine was permitted as a large mine under State of Utah, Division of Oil, Gas, and Mining (DOGM) rules (file number M/001/045), and as a plan of operations under BLM regulations (file number UTU-72232). Reclamation of the mine site was initiated in late 2001, with the understanding that reclamation of certain features would be deferred pending approval of a proposed new plan of operations for portions of the upper mine area by Red Emerald Inc. (REI). REI submitted a plan of operations to this office in December, 2001 (BLM file number UTU-79716, DOGM File S/001/058). Through letter dated February 6, 2003, a copy of which was sent to your staff, this office approved the REI plan of operations, subject to the submission of a financial guarantee in the amount of \$24,300 to secure reclamation of the disturbances proposed under the plan. On February 27, 2003, REI submitted the required financial guarantee, in the form of a certificate of deposit, to the BLM Utah State Office. On March 10, 2003, the BLM Utah State Office notified REI by Decision Letter (copy enclosed) that their financial guarantee was acceptable.

In a letter dated January 22, 2003, I directed GMI to re-seed all of the re-contoured and topsoiled areas of the Red Emerald mine site that had been initially seeded in January, 2002. These areas had failed to re-vegetate with desirable species due to drought conditions. GMI was asked to re-rip the topsoiled areas in preparation for the re-seeding and, wherever possible, to re-rip these areas on contour to lessen the likelihood of stormwater events gullyng and removing topsoil from the site. That letter also directed GMI to postpone reclamation of the mine gate, the mine access road from the mine gate to the upper mine area, and the mine office structure and adjacent working pad pending receipt of a satisfactory replacement bond to secure reclamation of these disturbances by REI.

During March 3-6, 2003, GMI, through their designated reclamation contractor (Construction and Mining Services of Cedar City), accomplished the re-seeding of the mine site. I conducted one inspection of the site while the re-seeding was underway, and another after the re-seeding was completed. The inspections confirmed the work had been performed as directed by BLM and DOGM. Provided the site receives the necessary moisture for seed germination and growth, satisfactory re-vegetation of the site can be expected.

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While I realize that it is necessary and appropriate for your office to continue to retain funds from the remaining GMI bond money until acceptable re-vegetation occurs, I believe that any other reclamation requirements on this site connected with the approved GMI reclamation plan have now been met by GMI, or those requirements have been superceded by the REI plan of operations and associated reclamation financial guarantee submitted to the BLM. Accordingly, this office grants approval to the Division to adjust the remaining GMI reclamation bond amount to reflect this situation.

Should you have any questions, or require any specific documentation of the current mine site conditions, please feel free to have your staff contact me at 435-865-3040.

Sincerely,



Ed Ginouves
Mining Engineer

Enclosure: Decision Letter dated March 10, 2003 from BLM USO to REI

cc: Domingue Merz, c/o Knightsbridge Asset Management, 660 Newport Center Drive, Suite 460, Newport Beach, CA 92660-6405
Clint Christensen, CMS, 599 N 800 W #6, Cedar City, UT 84720
Larry C. Apple, Red Emerald Inc., 3005 W Highway 6, Delta, UT 84624
Daniel A. Jenson, Parr, Waddoups, Brown, Gee & Loveless, 185 South State Street, Suite 1300, Salt Lake City, Utah 84111-1537
Rosemary J. Beless, Fabian & Clendenin, 215 South State Street, 12th Floor, Salt Lake City, Utah 84111



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155

IN REPLY REFER TO:
3809
(UT-924-OA)
UTU-79716

RECEIVED

MAR 21 2003

DIV. OF OIL, GAS & MINING

March 10, 2003

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

DECISION

Obligor/Operator:	:	Plan of Operation:	UTU-79716
Red Emerald, Inc.	:		
5626 North 3000 West	:	Project Name:	Red Emerald Mine
Delta, UT 84624	:		
	:	Bond Amount:	\$24,300.00
Financial Institution:	:		
Wells Fargo, MAC U1506-011	:		
225 W. Main Street,	:		
Delta, UT 84624	:		

Financial Guarantee Accepted

On February 27, 2003, this office received a Surface Management Personal Bond contract and evidence of a certificate of deposit (CD) account as the financial guarantee for the bond in the amount of \$24,300 to secure a bond for the plan identified above. The bond and the financial document have been examined and found satisfactory. The financial guarantee is accepted as of February 27, 2003.

The bond covers operations conducted by or on behalf of the obligor/operator on the above-mentioned plan.

The pledge for the bond is a CD written by the financial institution named above. The CD will be retained in this office until all terms and conditions of the operations have been fulfilled or until a satisfactory replacement bond has been accepted. If the term of the CD expires prior to release or replacement of the bond, the obligor may request the return of the certificate only by providing a replacement certificate made payable to the Department of the Interior-BLM, and bearing interest payable to the obligor or some other party. Otherwise, the certificate will be redeemed or retained for potential redemption to guarantee fulfillment of the obligor's obligations on the above-mentioned plan.

Please be advised that release of the funds in the account to any party will be allowed only after Secretarial approval is given to the financial institution through the BLM Utah State Office. Also, any penalties for early redemption of the CD account will be paid from the obligor's interest earned and not from the principal amount of the CD.

If you have any questions, please contact Opolonia Abeyta at (801) 539-4123.

/s/ Robert Lopez

Robert Lopez
Chief, Branch of
Minerals Adjudication

cc: Ed Ginouves, Geologist, Cedar City Field Office, UT040